

Message Text

LIMITED OFFICIAL USE

PAGE 01 MANILA 03844 01 OF 04 160254Z

ACTION TRSE-00

INFO OCT-01 EA-07 ISO-00 AID-05 CIAE-00 COME-00 EB-08

FRB-03 INR-07 NSAE-00 USIA-06 XMB-02 OPIC-03 SP-02

LAB-04 SIL-01 OMB-01 NSC-05 SS-15 STR-04 CEA-01

DODE-00 PM-04 H-01 L-03 PA-01 PRS-01 ITC-01 NEA-10

IO-13 /109 W

-----160353Z 050189 /67

P 160148Z MAR 77

FM AMEMBASSY MANILA

TO SECSTATE WASHDC PRIORITY 7175

INFO AMEMBASSY KUALA LUMPUR PRIORITY

AMEMBASSY BANGKOK

LIMITED OFFICIAL USE SECTION 1 OF 4 MANILA 3844

USADB

FOR NAC AGENCIES

BANGKOK FOR RED

E. O. 11652: ADS, DECLAS 6/14/77

TAGS: EAID, EFIN

SUBJECT: PROPOSED ADB LOAN TO MALAYSIA FOR SECOND PENANG PORT
EXPANSION PROJECT

SUMMARY: ADB MANAGEMENT PROPOSES \$10.0 MILLION EQUIVALENT
LOAN FROM ORDINARY CAPITAL RESOURCES TO GOVT OF MALAYSIA TO
FINANCE THE MAJOR PORTION OF THE FOREX COST OF CONVERTING A
CARGO BERTH TO A CONTAINER-CUM ROLL-ON/ROLL-OFF BERTH AND
CONSTRUCTING A VEGETABLE OIL BERTH IN PENANG PORT. LOAN
WILL ALSO FINANCE CONSULTANT SERVICES FOR FEASIBILITY STUDIES
OF FURTHER EXPANSION OF PORT SYSTEM, AND FOR REVIEWS OF
TARIFF AND ACCOUNTING SYSTEMS OF PENANG PORT COMMISSION.
USADB RECOMMENDS FAVORABLE NAC ACTION. END SUMMARY.

LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 02 MANILA 03844 01 OF 04 160254Z

1. ADB DOC. R23-77 WITH ATTACHMENTS DESCRIBING PROPOSED
LOAN POUCHED ADDRESSEES MARCH 10. BOARD
CONSIDERATION SCHEDULED 29 MARCH 1977.

2. ADB MANAGEMENT PROPOSING \$10.0 MILLION LOAN FROM
ORDINARY CAPITAL RESOURCES TO GOVT OF MALAYSIA. PROCEEDS

WILL FINANCE ALL BUT \$50,000 FOREX COST OF CONVERTING ONE GENERAL CARGO BERTH WHICH IS PART OF ONGOING PENANG PORT EXPANSION PROJECT TO A CONTAINER-CUM-ROLL-ON/ROLL-OFF (CUM-RO/RO) BERTH IN ORDER COPE WITH GROWING SEABORNE CONTAINER TRAFFIC; CONSTRUCTING ONE VEGETABLE OIL BERTH TO MEET DEMAND FOR INCREASED VEGETABLE OIL FACILITIES AT PENANG PORT; FEASIBILITY STUDY FOR NEXT PHASE OF PORT DEVELOPMENT; AND REVIEW OF TARIFF STRUCTURE AND FINANCIAL MANAGEMENT AND ACCOUNTING SYSTEM OF PENANG PORT COMMISSION (PPC). GOVT OF MALAYSIA WILL FINANCE \$50,000 FOREX COSTS PLUS ALL NECESSARY LOCAL COSTS. PROPOSED TERMS ARE 20 YEAR AMORTIZATION INCLUDING 4 YEAR GRACE PERIOD, 8.7 PERCENT INTEREST. GOVT OF MALAYSIA TO BE BORROWER. PENANG PORT COMMISSION (PPC) TO BE EXECUTING AGENCY. GOVT WILL RELEND PROCEEDS OF BANK LOAN TO PPC ON SAME TERMS AS BANK LOAN TO GOVT.

3. PENANG AND KELANG PORTS, BOTH ON MALAYSIA'S WEST COAST, TOGETHER HANDLE ABOUT 90 PERCENT OF TOTAL VOLUME OF INTERNATIONAL TRADE OF PENINSULAR MALAYSIA. WITH RAPID EXPANSION OF MALAYSIA'S INTERNATIONAL TRADE, PORT EXPANSION IS ACCORDED HIGH PRIORITY IN MALAYSIA'S THIRD PLAN (1976-80). PENANG PORT HAS BEEN ALLOTTED M\$120 MILLION (US\$48MILLION) FOR ADDITIONAL BERTHING CAPACITY AND NEW FACILITIES. TOGETHER WITH EXPANSION SLATED FOR KELANG AND THE TWO EAST COAST PORTS, COMBINED HANDLING CAPACITY OF MAJOR PORTS IS EXPECTED RISE FROM 6.8 MILLION TONS IN 1975 TO 11.4 MILLION TONS IN 1980.

LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 03 MANILA 03844 01 OF 04 160254Z

4. PENANG PORT COMPRISES SWETTENHAM PEIR, ON PENANG ISLAND, PROVIDING 1,200 FT. OF BERTHING SPACE, AND HANDLING CAPACITY OF 375,000 M.T. OF CARGO PER YEAR; BUTTERWORTH WHARVES, ON MALAYSIAN MAINLAND, PROVIDING 2,900 FT. OF BERTHING SPACE, AND HANDLING CAPACITY OF 1.45 MILLION M.T. PER YEAR; PRAI WHARVES, ON MAINLAND, SEPARATED FROM BUTTERWORTH WHARVES BY PRAI RIVER, WITH 2,000 FT. OF BERTHING SPACE AND BASIN OFFERING ADDITIONAL WARFAGE OF 1,500 FT. FOR LIGHTERS; AND NUMEROUS PRIVATE JETTIES ALONG PRAI RIVER AND A LIGHTER QUAY ON PENANG ISLAND WHERE CARGO FROM PRIVATE FLEET IS HANDLED. PENANG PORT COMMISSION (PPC) OPERATES FACILITIES ON FIRST COME - FIRST SERVED BASIS, EXCEPT THAT PALM OIL EXPORTS RECEIVE PRIORITY TREATMENT AS - TO A LESSER EXTENT - DO EXPORTS IN GENERAL.

5. FIRST BANK PROJECT (LOAN NO. 184 - MAL, APPROVED APRIL 1974) PROVIDED FOR GENERAL CARGO BERTH (BERTH NO. 6) AT BUTTERWORTH WHARVES AND BULK CARGO TERMINAL AT

PRAI. RECENT BANK MISSION CONCLUDED THAT WHILE THERE IS
CURRENTLY A DELAY OF TWO TO THREE MONTHS, CONSTRUCTION

LIMITED OFFICIAL USE

NNN

LIMITED OFFICIAL USE

PAGE 01 MANILA 03844 02 OF 04 160303Z
ACTION TRSE-00

INFO OCT-01 EA-07 ISO-00 AID-05 CIAE-00 COME-00 EB-08
FRB-03 INR-07 NSAE-00 USIA-06 XMB-02 OPIC-03 SP-02
LAB-04 SIL-01 OMB-01 NSC-05 SS-15 STR-04 CEA-01
DODE-00 PM-04 H-01 L-03 PA-01 PRS-01 ITC-01 NEA-10
IO-13 /109 W

-----160356Z 050316 /67

P 160148Z MAR 77
FM AMEMBASSY MANILA
TO SECSTATE WASHDC PRIORITY 7176
INFO AMEMBASSY KUALA LUMPUR PRIORITY
AMEMBASSY BANGKOK

LIMITED OFFICIAL USE SECTION 2 OF 4 MANILA 3844

USADB

FOR NAC AGENCIES

BANGKOK FOR RED

CAN BE COMPLETED AS PER SCHEDULE (END-1977 FOR BERTH
NO. 6 AND MID-1978 FOR BULK CARGO TERMINAL). HOWEVER,
PROPOSED PROJECT, INVOLVING PROPOSAL TO CONVERT BERTH
NO. 6 INTO CONTAINER-CUM-RO/RO BERTH, WOULD REQUIRE CHANGE
IN SCOPE OF EARLIER PROJECT AND EXTEND EXPECTED COMPLETION
DATE TO MARCH 1978. PROPOSED MODIFICATION OF BERTH NO. 6
EXPECTED TO RESULT IN COST SAVING OF ABOUT \$1.2 MILLION
(OF WHICH \$0.8 MILLION FOREX). MISSION PROPOSES TRANSFER
THIS SUM TO UNALLOCATED ITEM WITH SUBSEQUENT CANCELLATION
IF UNUTILIZED.

6. PENANG PORT TRAFFIC (TOTAL TRADE IN M/T) INCREASED
BY ONLY 2.2 PERCENT DURING 1973-76, WELL SHORT OF 25 PER-
CENT GROWTH FORECAST BY BANK MISSION IN CONNECTION WITH
LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 02 MANILA 03844 02 OF 04 160303Z

FIRST PROJECT. DESPITE SLOW RATE OF GROWTH, ATTRIBUTABLE MAINLY TO 1974-75 RECESSION, TWO SIGNIFICANT EXPANSIONARY TRENDS TOOK PLACE, NAMELY: RAPID INCREASE IN BULK PALM OIL EXPORTS FROM 55,000 M.T. IN 1973 TO 141,000 M.T. IN 1975 AND ESTIMATED 178,000 M.T. IN 1976; AND SHARP INCREASE IN CONTAINER TRAFFIC AT BUTTERWORTH WHARVES FROM 4,500 M/T IN 1972 TO ESTIMATED 163,000 M.T. IN 1976. LATTER DEVELOPMENT HAS OCCURRED DESPITE DELIBERATE GOVT POLICY OF FAVORING KELANG AS PRINCIPAL MAINLAND CONTAINER PORT AND RELATED INADEQUATE CONTAINER-HANDLING FACILITIES AT PENANG.

7. MISSION PROJECTS CONTINUATION OF BOTH TRENDS. PALM OIL EXPORTS THROUGH PENANG ARE PROJECTED AT 396,000 M.T. BY 1980 (UP 122 PERCENT ON 1976), AND CONTAINER TRAFFIC AT 718,000 M.T. (UP 340 PERCENT). EXPANSION OF CONTAINER TRAFFIC IS CONCOMITANT WITH INCREASED USE OF CONTAINERIZATION IN INTERNATIONAL SEABORNE TRADE. AT SAME TIME, RO/RO SHIPS ARE EXPECTED CALL AT PENANG AS FACILITIES BECOME AVAILABLE. REALIZATION OF PORT'S GROWTH POTENTIAL REQUIRES EXPANSION/MODIFICATION OF FACILITIES, AS WELL AS REVERSAL OF GOVT'S ATTITUDE WITH RESPECT TO PENANG PORT'S ROLE (IN AREA OF CONTAINERIZATION) WHICH HAS ALREADY BEEN SIGNALLED. BESIDES A CONTAINER-CUM-RO/RO BERTH, THERE IS NEED FOR A SPECIAL VEGETABLE OIL BERTH. AT PRESENT, GIVEN LIMITED FACILITIES, EXPANSION OF PALM OIL EXPORTS HAS HAD EFFECT OF REDUCING GENERAL CARGO CAPACITY, WITH INCREASED USE OF EXPENSIVE LIGHTERAGE SERVICE FROM MID-STREAM.

8. STUDY OF DEVELOPMENT NEEDS OF PENANG PORT, UNDERTAKEN BY SOUTHEAST ASIAN AGENCY FOR REGIONAL TRANSPORTATION AND COMMUNICATIONS DEVELOPMENT (SEATAC) WITH USAID FINANCING IN 1975, IDENTIFIED TWO PRIORITY LONG TERM NEEDS - DEEPENING OF NORTH CHANNEL TO ACCOMMODATE SHIPS OF 30,000 TO 45,000 DWT, AND CONSTRUCTION OF NEW WHARVES AT ONE OF THREE ALTERNATIVE SITES-AND NOTED A LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 03 MANILA 03844 02 OF 04 160303Z

NUMBER OF SHORT/INTERMEDIATE TERM NEEDS FOR IMPROVEMENT OF PORT THROUGHOUT. PROPOSED PROJECT ADDRESSES FIRST TWO OF SHORT/INTERMEDIATE TERM NEEDS, I.E. CONTAINER TERMINAL AND PALM OIL TANKER BERTH, AND IN ITS PROPOSAL FOR A FEASIBILITY STUDY FOR NEXT PHASE DEVELOPMENT, PARTIALLY ADDRESSES LONGER-TERM NEEDS.

9. PROVISION OF A NEW CONTAINER BERTH AT BUTTERWORTH DEEMED NOT FEASIBLE FOR LACK OF AVAILABLE SPACE. INSTEAD,

BERTH NO. 6, WHICH IS BEING EXTENDED UNDER ONGOING BANK PROJECT (LOAN NO. 184 - MAL), WILL BE CONVERTED TO CONTAINER-CUM-RO/RO BERTH. IN VIEW THIS CHANGE IN SCOPE OF PREVIOUS PROJECT, COMPONENTS FOR PROPOSED PROJECT ARE:

(A) ADDITIONAL CIVIL WORKS FOR CONVERSION OF BERTH NO. 6;

(B) PROVISIONAL OF RO/RO RAMPWAY AND ANCILLARY FACILITIES, CONTAINER GANTRY CRANE, TWO TRANSTAINERS AND STRENGTHENING OF BACK-UP FACILITIES;

(C) CONSTRUCTION OF VEGETABLE OIL BERTH FOR SHIPS WITH CAPACITY UP TO 33,000 DWT;

(D) CONSULTING SERVICES FOR:

(1) FEASIBILITY STUDY FOR NEXT PHASE PORT DEVELOPMENT;

(11) TARIFF STUDY INCLUDING REVIEW OF FINANCIAL MANAGEMENT AND ACCOUNTING SYSTEM OF PPC.

10. PROPOSED FEASIBILITY STUDY FOR NEXT PHASE DEVELOPMENT (PHASE III) IS CONSIDERED COMPLIMENTARY TO A FEASIBILITY STUDY FOR DEEPENING OF NORTH CHANNEL BEING UNDERTAKEN BY SEATAC PURSUANT TO ITS EARLIER STUDY OF DEVELOPMENT NEEDS

LIMITED OFFICIAL USE

NNN

LIMITED OFFICIAL USE

PAGE 01 MANILA 03844 03 OF 04 160316Z
ACTION TRSE-00

INFO OCT-01 EA-07 ISO-00 AID-05 CIAE-00 COME-00 EB-08
FRB-03 INR-07 NSAE-00 USIA-06 XMB-02 OPIC-03 SP-02
LAB-04 SIL-01 OMB-01 NSC-05 SS-15 STR-04 CEA-01
DODE-00 PM-04 H-01 L-03 PA-01 PRS-01 ITC-01 NEA-10
IO-13 /109 W

-----160358Z 050505 /67

P 160148Z MAR 77

FM AMEMBASSY MANILA

TO SECSTATE WASHDC PRIORITY 7177

INFO AMEMBASSY KUALA LUMPUR PRIORITY

AMEMBASSY BANGKOK

LIMITED OFFICIAL USE SECTION 3 OF 4 MANILA 3844

USADB

FOR NAC AGENCIES

BANGKOK FOR RED

(SEE PARA. 8). PROPOSED TARIFF STUDY IS BELIEVED ESSENTIAL IN VIEW OF EXTENSIVE REVISION OF PENANG PORT'S COST STRUCTURE AND CARGO MIX TO BE BROUGHT ABOUT WITH INTRODUCTION OF PROJECT FACILITIES. TERMS OF REFERENCE OF PROPOSED STUDY CALL FOR TARIFF RATES SUFFICIENT TO:

(A) COVER OPERATING EXPENSES, ADEQUATE MAINTENANCE, DEPRECIATION, AND INTEREST;

(B) MEET NECESSARY LOAN REPAYMENTS;

(C) FINANCE NORMAL YEAR-TO-YEAR IMPROVEMENT OF PORT FACILITIES.

LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 02 MANILA 03844 03 OF 04 160316Z

11. TOTAL COST OF PROJECT ESTIMATED AT \$14.55 MILLION OF WHICH \$10.05 MILLION FOREX. BANK SHARE WOULD BE \$10.0 MILLION IN FOREX APPORTIONED: CONTAINER-CUM-RO/RO BERTH, \$6.1 MILLION; VEGETABLE OIL BERTH, \$1.7 MILLION; PHASE III STUDY, \$400,000; MANAGEMENT/TARIFF STUDY, \$200,000; CONTINGENCIES AND PRICE EXCALATION, \$1.6 MILLION. GOVT AGREES MAKE AVAILABLE LOCAL CURRENCY REQUIREMENT, ESTIMATE FH \$4.5 MILLION, AND \$50,000 IN FOREX FOR ENGINEERING STUDIES FOR CONTAINER TERMINAL.

12. PRINCIPAL FOREX COMPOUNDS OF PROJECT INCLUDE CIVIL WORKS, ELECTRIC INSTALLATION, AND RAMPWAY FOR CONTAINER BERTH; CONTAINER HANDLING EQUIPMENT (GANTRY CRANE, TRANSTAINERS, FORKLIFT TRUCKS AND TRAILERS); AND SUPPORTING STRUCTURES (PREPARATORY WORKS, SHOPS AND OFFICES). IN INTEREST OF APPLYING MAXIMUM APPROPRIATE TECHNOLOGY, A TRANSTAINER/TRACTOR-CHASSIS SYSTEM WAS CHOSEN FOR OPERATION OF THE CONTAINER-CUM-RO/RO BERTH, AS BEING EASIER TO MAINTAIN THAN A STRADDLE CARRIER SYSTEM. ALSO, PRESTRESSED CONCRETE PILES WILL BE FABRICATED ON SITE AS OPPOSED TO USE OF STEELPIPE PILES, WHICH WOULD BE LESS LABOR-INTENSIVE AS WELL AS MORE COSTLY IN TERMS OF FOREX.

13. PROCUREMENT ITEMS AND CIVIL WORKS CONTRACTS WILL BE GROUPED TO FORM PACKAGES SUITABLE FOR INTERNATIONAL BIDDING. ALL CIVIL WORKS CONTRACTS FOR VEGETABLE OIL BERTH WILL BE

SO GROUPED, BUT CONTRACTORS WILL HAVE OPTION OF BIDDING FOR ALL OR SEPARATELY. PROCUREMENT WILL BE IN ACCORDANCE WITH BANK'S GUIDELINES, WITH SUPPLY CONTRACTS ESTIMATED TO COST \$100,000 OR LESS PROCURED ON BASIS OF BIDS OR QUOTATIONS FROM REASONABLE NUMBER OF SUPPLIERS FROM MORE THAN ONE MEMBER COUNTRY, EXCEPT THAT CERTAIN CIVIL WORKS CONTRACTS, BEING SMALL IN SIZE (NONE FOR MORE THAN \$0.6 MILLION) AND OF A TYPE FAMILIAR LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 03 MANILA 03844 03 OF 04 160316Z

TO LOCAL CONTRACTORS, WILL BE AWARDED ON BASIS OF LOCAL COMPETITIVE BIDDING. ALSO, IN ORDER ENSURE COMPLETION OF CONTAINER BERTH BY END-1977, PPC WOULD RETAIN SERVICES OF CONTRACTOR PRESENTLY ENGAGED IN CONSTRUCTION OF BERTH NO. 6 FOR PROPOSED CONVERSION TO CONTAINER-CUM-RO/RO. ADDITIONAL WORK WILL BE CARRIED OUT ON BASIS OF A VARIATION ORDER, WITH UNIT PRICES SAME AS UNDER ORIGINAL CONTRACT. UNDER VARIATION ORDER, WHICH WOULD BE SUBJECT TO BANK APPROVAL, CONTRACTOR WOULD BE REQUIRED PRESENT SEPARATE INVOICES TO PPC WITH RESPECT TO THE TWO CONTRACTS AND PPC WOULD PRESENT CORRESPONDING SEPARATE WITHDRAWAL NOTICES TO BANK.

14. AS STATED, PPC WILL RETAIN ENGINEERING CONSULTANTS PRESENTLY ENGAGED IN CONSTRUCTION OF BERTH NO. 6. IN ADDITION, PPC INTENDS CONTINUE ENGAGEMENT OF MALAYSIAN CONSULTANTS WHO UNDERTOOK FEASIBILITY STUDY FOR VEGETTABLE OIL BERTH, THIS BEING PARENT COMPANY OF CONSULTANTS APPROVED (BY BANK) FOR DESIGN AND CONSTRUCTION OF PRAI BULK CARGO TERMINAL. MISSION HAS REVIEWED QUALIFICATIONS OF FIRM AND CONSIDERS THEM SATISFACTORY. COST OF THESE SERVICES WILL BE FINANCED BY PPC FROM OWN RESOURCES.

15. CONSULTANTS FOR FEASIBILITY STUDY FOR PHASE III EXPANSION AND FOR REVIEW OF FINANCIAL MANAGEMENT AND ACCOUNTING SYSTEM WILL BE SELECTED IN ACCORDANCE WITH BANK'S GUIDELINES. PPC WILL CONSULT WITH BANK ON IMPLEMENTATION OF RECOMMENDATIONS OF CONSULTANTS PRIOR TO COMPLETION OF THIS STUDY.

16. PPC, THE EXECUTING AGENCY, CONSISTS OF A CHAIRMAN, APPOINTED BY THE HEAD OF STATE, DIRECTOR GENERAL APPOINTED BY PPC ITSELF WITH APPROVAL OF MINISTRY OF COMMUNICATIONS, AND NINE MEMBERS REPRESENTING VARIOUS GROUPS HAVING AN INTEREST IN THE PORT. IT IS WELL ORGANIZED AND EXPERIENCED IN CONSTRUCTION OF PORT FACILITIES SUCH AS BUTTERWORTH LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 04 MANILA 03844 03 OF 04 160316Z

LIMITED OFFICIAL USE

NNN

LIMITED OFFICIAL USE

PAGE 01 MANILA 03844 04 OF 04 160334Z
ACTION TRSE-00

INFO OCT-01 EA-07 ISO-00 AID-05 CIAE-00 COME-00 EB-08
FRB-03 INR-07 NSAE-00 USIA-06 XMB-02 OPIC-03 SP-02
LAB-04 SIL-01 OMB-01 NSC-05 SS-15 STR-04 CEA-01
DODE-00 PM-04 H-01 L-03 PA-01 PRS-01 ITC-01 NEA-10
IO-13 /109 W

-----160401Z 050788 /67

P 160148Z MAR 77

FM AMEMBASSY MANILA

TO SECSTATE WASHDC PRIORITY 7178

INFO AMEMBASSY KUALA LUMPUR PRIORITY

AMEMBASSY BANGKOK

LIMITED OFFICIAL USE SECTION 4 OF 4 MANILA 3844

USADB

FOR NAC AGENCIES

BANGKOK FOR RED

WHARVES AND BULK CARGO TERMINAL. PPC WILL MAINTAIN PROJECT OFFICE ESTABLISHED FOR ONGOING FIRST PENANG PORT EXPANSION PROJECT WITHIN ITS OPERATION DEPARTMENT FOR IMPLEMENTATION OF PROJECT. PROJECT OFFICE IS HEADED BY CHIEF ENGINEER, ACTING AS PROJECT MANAGER SUPPORTED BY QUALIFIED AND EXPERIENCED ENGINEER WORKING FULL-TIME ON PROJECT, STAFFED WITH SUFFICIENT QUALIFIED PERSONNEL AND ASSISTED BY CONSULTANT. MISSION BELIEVES PPC IS WELL QUALIFIED TO ACT AS EXECUTING AGENCY FOR PROJECTM

17. PPC'S OPERATIONS OVER PAST SIX YEARS HAVE RESULTED IN SURPLUSES, AT A DECLINING LEVEL. SURPLUS IN 1975 EQUALLED ABOUT THREE PERCENT OF NET FIXED ASSETS AND 4.7 PERCENT RETURN ON EQUITY. INTERNALLY GENERATED SURPLUSES AND
LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 02 MANILA 03844 04 OF 04 160334Z

ACCUMULATED DEPRECIATION RESERVES HAVE BEEN UTILIZED TO MEET CAPITAL OUTLAYS WHICH IN PAST TWO YEARS AMOUNTED TO U.S. \$10.8 MILLION EQUIVALENT. OVERALL FINANCIAL STRUCTURE IS CONSIDERED SATISFACTORY. HOWEVER, PRESENT TARIFF STRUCTURE IS CONSIDERED LOW IN RELATION TO COST OF CERTAIN PORT SERVICES, ESPECIALLY CONTAINER TARIFFS WHICH ARE LESS THAN HALF THOSE APPLIED IN KELANG AND SINGAPORE. CERTAIN ASPECTS OF PORT'S COST CONTROL SYSTEM ARE ALSO AT LEAST PARTIALLY DEFICIENT. FOR MOST PART, THESE MATTERS ARE EXPECTED TO BE REMEDIED BY TARIFF/FINANCIAL MANAGEMENT/ACCOUNTING STUDY PROPOSED UNDER PROJECT (SEE PARA. 10). PPC ALSO AGREES TO INSTITUTE SYSTEM OF 5-YEAR BUDGETING, TO PAY GREATER ATTENTION TO PROBLEM OF OVERDUE RECEIVABLES, AND TO MAKE PROVISION FOR AN INTERNAL AUDITING SYSTEM. PROJECTED FINANCIAL SITUATION SEEN AS SATISFACTORY, ESPECIALLY IF TARIFF REVISION IS IMPLEMENTED PER SCHEDULE.

18. PROPOSED PROJECT WILL ENABLE PENANG PORT TO COPE WITH GROWING DEMAND FOR CONTAINER AND VEGETABLE OIL HANDLING FACILITIES, WHILE REDUCING HEAVY PRESSURE ON BUTTERWORTH GENERAL CARGO COMPLEX. IT WILL ENSURE EFFICIENT OPERATION OF PORT DURING TRANSITION PHASE UNTIL NEXT STAGE OF DEVELOPMENT CAN BE REALIZED. PROJECT IS TECHNICALLY FEASIBLE AND ECONOMICALLY VIABLE WITH ECONOMIC RATES OF RETURN OF 27 PERCENT FOR CONTAINER-CUM-RO/RO, AND 20 PERCENT FOR VEGETABLE OIL BERTH; FINANCIAL RATES OF RETURN OF 18.3 AND 13.3 PERCENT, RESPECTIVELY.

19. USADB SUPPORTS PROPOSAL AND RECOMMENDS FAVORABLE NAC ACTION. REQUEST KUALA LUMPUR'S COMMENTS FOR NAC AGENCIES, INFO USADB MANILA, PURSUANT TO STATE 119795 DATED 3 JULY 1972.
SULLIVAN

LIMITED OFFICIAL USE

NNN

Message Attributes

Automatic Decaptioning: X
Capture Date: 01-Jan-1994 12:00:00 am
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: CONSTRUCTION, PROGRAMS (PROJECTS), PORTS, LOANS
Control Number: n/a
Copy: SINGLE
Sent Date: 16-Mar-1977 12:00:00 am
Decaption Date: 01-Jan-1960 12:00:00 am
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 22 May 2009
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1977MANILA03844
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: DG ALTERED
Executive Order: N/A
Errors: N/A
Expiration:
Film Number: D770089-0586
Format: TEL
From: MANILA
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1977/newtext/t19770355/aaaabwaf.tel
Line Count: 477
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM
Message ID: 0fed80b7-c288-dd11-92da-001cc4696bcc
Office: ACTION TRSE
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 9
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: n/a
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 04-Jan-2005 12:00:00 am
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 3094857
Secure: OPEN
Status: NATIVE
Subject: PROPOSED ADB LOAN TO MALAYSIA FOR SECOND PENANG PORT EXPANSION PROJECT SUMMARY: ADB MANAGEMENT PROPOSES \$10.0 MILLION EQU
TAGS: EAID, EFIN, RP, ADB
To: STATE
Type: TE
vdkgvwkey: odb://SAS/SAS.dbo.SAS_Docs/0fed80b7-c288-dd11-92da-001cc4696bcc
Review Markings:
Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
22 May 2009
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 22 May 2009